COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 5176** January 31, 2022

SPONSOR (S): Yednock

SYSTEM(S): Downstate Teacher's Retirement System

FISCAL IMPACT: There is no discernible fiscal impact associated with HB 5176.

<u>SUBJECT MATTER</u>: HB 5176 amends the Downstate Teacher article of the Illinois Pension Code. The School Code portion of the bill deletes a certain salary survey provision used to determine exemptions from the current 20% increase cap on pensionable salary in TRS. This is purely a technical change that does not alter the cap amount.

<u>COMMENT:</u> Under current law, in determining final average salary, when a member's salary exceeds the member's annual full-time salary with the same employer from the previous year by more than 20%, that part of the salary shall be excluded, except when the member's creditable earnings are less than 50% of the preceding year's mean salary for downstate teachers as determined by the survey of school district salaries provided in Section 2-3.103 of the School Code.

HB 5176 provides that the above-mentioned exemption to the 20% salary increase cap will no longer be determined by the aforementioned survey in the School Code. From the perspective of the Pension Code, this is a technical change that does not alter the final average salary limitations as mentioned above. Presumably, TRS would be required to conduct the survey to determine the exemptions to the 20% cap in which a member's creditable earnings are less than 50% of the preceding year's mean salary.

It should be noted that this bill has no bearing on what is commonly known as the "FAS Cap Penalty" paid by school districts for pensionable salary increases over 6%.

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